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ABSTRACT

Policy recommendations on items outlined in Senate Resolution 1975-131 as adopted by the Council for Postsecondary Education on March 3, 1976 are presented. The report also discusses the composition of tuition and fees in Washington, the basis of educational costs as used in the report, and the current and past relationship of tuition and operating fees to estimated educational costs in Washington institutions. An inventory of the tuition and fee waiver programs now authorized by law and the extent to which these programs are used is also included. Both general and specific recommendations are made concerning tuition and fee waiver programs. Statistical tables are presented as part of the report. Appendices present the complete text of SR 1975-131 and a review of those states that base tuition and fee rates on a proportion of educational costs, with an outline of the policies and systems used in each of those states. The Council did not reach a final conclusion regarding tuition and fees paid by nonresident students and the foreign student waiver program. The Council also has plans to study the related matter of student financial aid needs as they relate to a revised system of establishing tuition and fees with an objective of preparing recommendations by Summer 1976. (LBH)

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Council for Postsecondary Education
State of Washington

U.S. DEPARTMENT OF HEALTH
EDUCATION & WELFARE
NATIONAL INSTITUTE OF
EDUCATION

POLICY RECOMMENDATIONS

A SYSTEM OF ESTABLISHING TUITION AND FEES AS A PROPORTION OF EDUCATIONAL COSTS

In Response to
Senate Resolution 1975-131

March, 1976

POLICY RECOMMENDATIONS

A SYSTEM OF ESTABLISHING TUITION AND FEES AS A PROPORTION OF EDUCATIONAL COSTS

In Response To

Senate Resolution 1975-131

Council for Postsecondary Education

March, 1976

Project Officers

Denis Curry
Norman Fischer

INTRODUCTION

The 1975 Legislature, through Senate Resolution 1975-131, directed the Council for Postsecondary Education to: (1) survey other states to determine those states " ... which currently relate student tuition and fees to higher education costs, along with the policies of those states as to the portion which is borne by students .... "; (2) " ... develop, test and recommend a standard method of determining the cost of higher education which relates to instruction of students, both inclusive and exclusive of related capital costs .... "; and, in addition, (3) " ... make recommendations concerning the proportion of costs which should be borne by the various categories of students in Washington's public universities, state colleges and community colleges, including recommendations dealing with waivers of tuition and/or fees for various categories of individuals not set forth by statute." (See Appendix A for the complete text of the resolution.)

This report presents policy recommendations on the items outlined in SR 1975-131 as adopted by the Council on March 3, 1976. In addition, the report discusses the composition of tuition and fees in Washington, the basis of "educational costs" as used in this report and the current and past relationship of tuition and operating fees to estimated educational costs in Washington institutions. The report also contains an inventory of the tuition and fee waiver programs now authorized by law and the extent to which these programs are used. Both general and specific recommendations are made concerning tuition and fee waiver programs. Appendix B of the report contains a review of those states which base tuition and fee rates on a proportion of educational costs outlining the policies and systems used in each of those states.

Following two progress reports on this subject in late 1975, a comprehensive staff report was presented to the Council in January, 1976. Following that meeting, the staff report was transmitted to the Senate Committee on Higher Education and over 200 copies were distributed to ASB presidents, student newspapers, college and university officials and other interested parties for review and comment. The Council's Committee on Administration and Finance considered staff recommendations (which had been given wide distribution) on March 2, leading to Council action on March 3rd.

The Council did not reach a final conclusion concerning tuition and fees paid by nonresident students and the foreign student waiver program. It is anticipated that recommendations on these subjects will be transmitted to the Senate Committee on Higher Education following the next meeting of the Council. The Council will also study the related matter of student financial aid needs as they relate to a revised system of establishing tuition and fees with an objective of preparing recommendations by the summer of 1976.

I. SUMMARY OF POLICY RECOMMENDATIONS

(1) The Council for Postsecondary Education believes it is sound public policy to base student tuition and fees as a proportion of educational costs and recommends active consideration of this approach by the Legislature.

(2) The Council is of the opinion that the state has an obligation to provide the educational facilities in its public institutions and recommends that capital amortization costs not be included in the total educational costs for calculating tuition and fees.

(3) Since services and activities fees are intended to finance activities and programs in addition to or outside of those included in the state operating budget, the Council recommends that this fee category not be included in the total fees to be directly related to educational costs.

(4) The Council recommends that services and activities fees be set by boards of trustees or regents within maximum limits based on the following percentages of the total undergraduate resident tuition and operating fees: universities, twenty percent; three state colleges, forty percent; The Evergreen State College, thirty percent; and community colleges, twenty percent.

(5) In establishing the proportions of educational cost to be paid by student tuition and fees, the Council recommends that differing percentage factors be applied to the different groupings of institutions.

(6) The Council recommends that the different fee categories be considered individually in establishing percentage of cost factors for tuition and fee purposes.

(7) The Council recommends that tuition and operating fee amounts be identical in each of the following categories:

(A) Two universities
(B) Three state colleges
(C) The Evergreen State College
(D) Community Colleges

(8) The Council recommends that tuition and operating fees be adjusted biennially with undergraduate resident rates for the ensuing biennium based on educational costs calculated on the basis of the budgeted levels for the current biennium through application of factors and ratios derived from the most recent Council cost analysis. The budgeted levels would be the funding and enrollment amounts used in the budget on which original appropriations were based as adjusted by subsequent legislative and executive action during the biennium.

(9) The Council recommends that the educational cost base include both direct and indirect costs related to instruction during the academic year, plus the costs of student services to the extent included in the budget on which appropriations are based. Elements excluded from the cost base would include the direct and indirect costs of research and public service activities, self sustaining activities, capital amortization costs, summer programs, intercollegiate athletics, auxiliary enterprises, financial aid grants and student activity programs financed from services and activities fees.

The Council also recommends that the full cost of educational services be determined for undergraduate students in accordance with criteria, definitions and procedures developed by the Council and reviewed by the Governor or his Office of Program Planning and Fiscal

Management and subject to the final approval of an appropriate legislative committee or committees. The determination should be made as early as possible in each even numbered year, but following any special session in that year.

(10) The Council for Postsecondary Education recommends that the total of tuition and operating fees charged to resident undergraduate students bear the following relationships to undergraduate educational costs:

(A) Universities, one-fourth or twenty-five percent
(B) Three state colleges, one-fifth or twenty percent
(C) The Evergreen State College, one-fifth or twenty percent
(D) Community colleges, one-sixth or sixteen and two-thirds percent

Further, that the total tuition and operating fees at The Evergreen State College not exceed those of the two universities.

(11) The Council recommends that the statute exempting Vietnam veterans from tuition and fee increases be repealed and that these individuals pay the same tuition and fees as other students.

(12) The Council recommends that the tuition and operating fees charged to graduate students be based on one hundred fifteen percent of the tuition and operating fees paid by undergraduate students.

(13) The Council recommends that the tuition and operating fees charged to students enrolled in programs leading to the degrees of doctor of medicine, doctor of dental surgery and doctor of veterinary medicine be based on one hundred sixty percent of the tuition and operating fee paid by undergraduate students.

(14) The Council recommends that the legislature carefully review each tuition and fee waiver program with the objective of retaining only those which are based on need. To the extent that tuition and fee waivers

are continued, they should be made more visible in order to provide an opportunity for continuing review. The Council therefore recommends that each tuition and fee waiver program should be listed in the Governor's budget along with the number of students aided in each year. The cost of the program, in terms of lost revenue, should also be indicated. Those programs which are continued should not be optional but should be consistently applied within criteria or limits set forth by the law establishing the program.

(15) The Council specifically recommends that the legislature, in its 1977 regular session, abolish or modify the following programs:

(A) Public School Teachers Supervising Cadet Teachers From the University of Washington: RCW 28B.15.380(3). Repeal is recommended.

(B) University Staff Members: RCW 28B.15.380(2). Repeal is recommended.

(C) Veterans Who Have Exhausted Federal Benefits: RCW 28B.15.380(1) and 28B.40.361. Repeal is recommended except for students currently enrolled.

(D) Blind Student Waivers: RCW 28B.10.215. Amending the statute is recommended to eliminate the waiver and increase the direct allocation amount.

II. COMPOSITION OF TUITION AND FEES IN WASHINGTON

Required tuition and fees in the State of Washington are divided into three parts: tuition, operating fees and student services and activities fees. Unlike the majority of states, "tuition" in Washington refers to those fees which support capital construction. These funds are deposited in accounts in the state treasury and are used for direct construction and liquidation of construction bonds. Operating fees (analogous to tuition in most states) are retained locally for general operating expenses. These revenues are budgeted by the Governor and the legislature and are used for the same purposes as state operating appropriations. Student services and activities fees are not budgeted at the state level, are retained locally and are used for student activities and programs.

The current distribution of resident undergraduate tuition and fees at the various segments is shown on the following page. University tuition and fees are used in the following example to illustrate the mechanics of the distribution and the uses of the various funds.

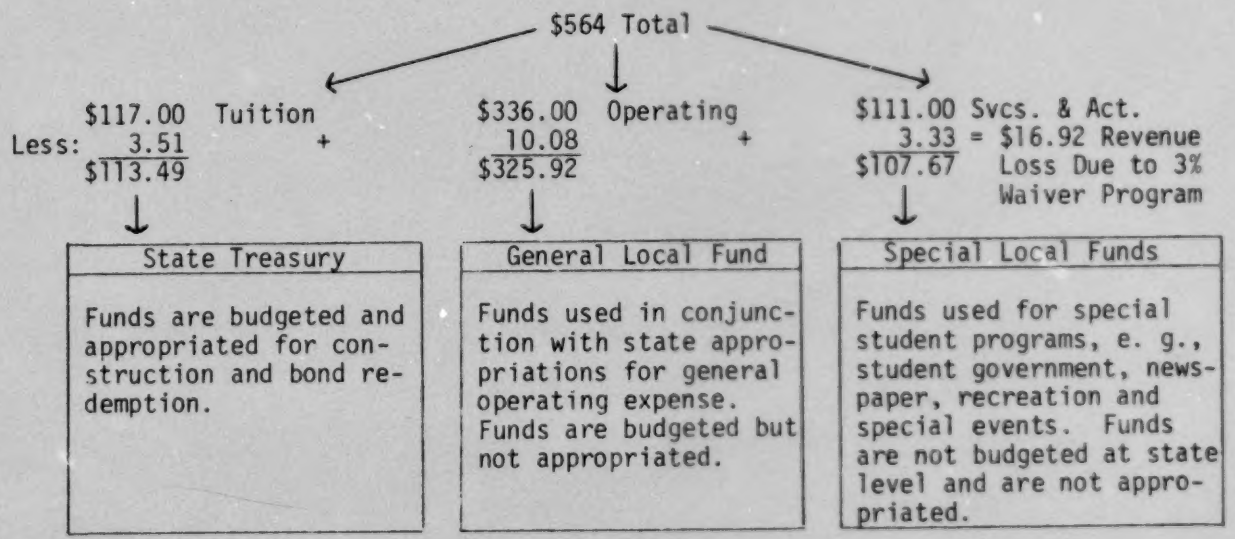
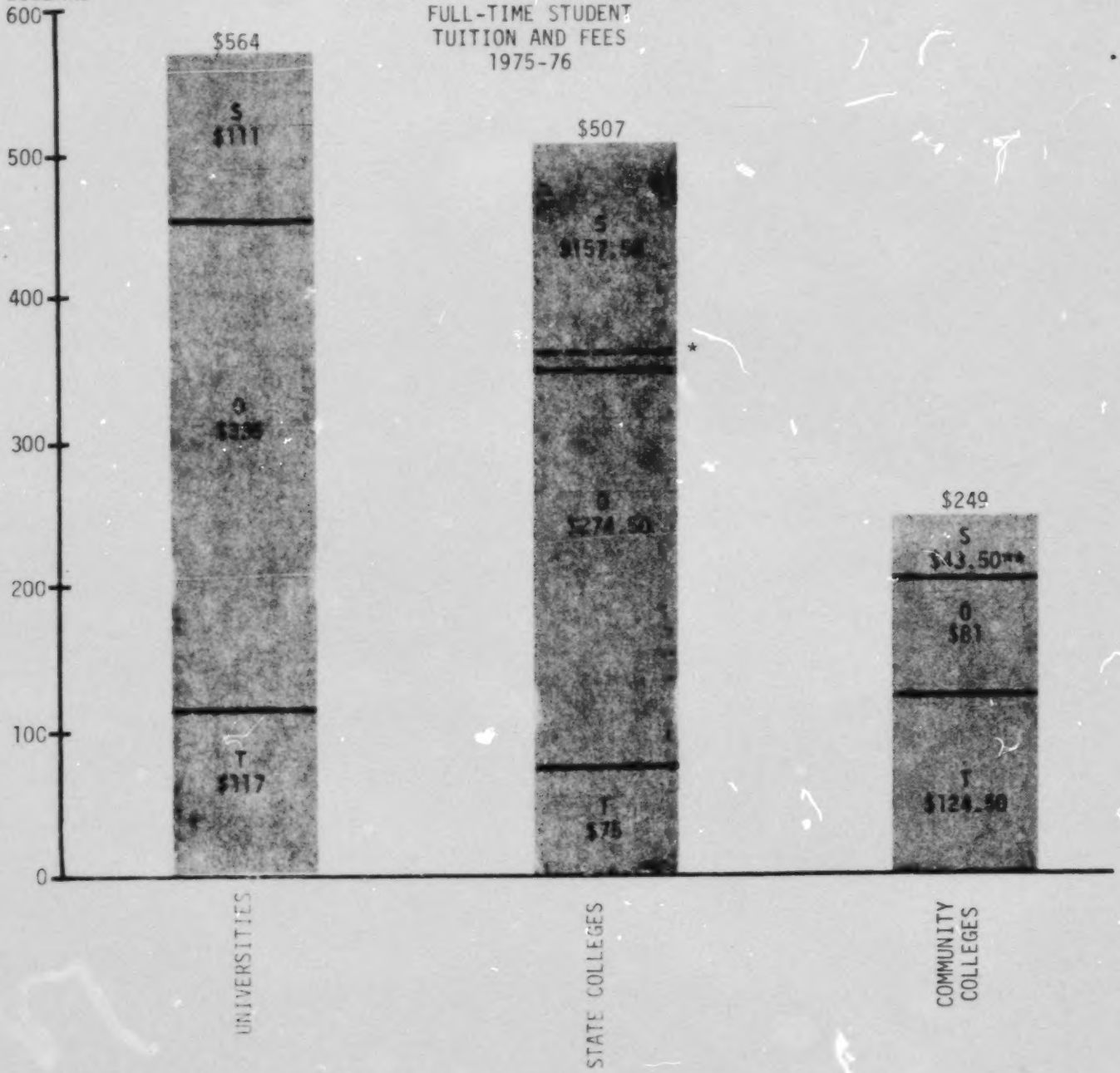

$564 Total
$117.00 Tuition
Less: 3.51
$113.49
$336.00 Operating
10.08
$325.92
$111.00 Svcs. & Act.
3.33 = $16.92 Revenue Loss Due to 3% Waiver Program
$107.67
State Treasury
Funds are budgeted and appropriated for construction and bond redemption.
General Local Fund
Funds used in conjunction with state appropriations for general operating expense. Funds are budgeted but not appropriated.
Special Local Funds
Funds used for special student programs, e. g., student government, newspaper, recreation and special events. Funds are not budgeted at state level and are not appropriated.

CHART I

DISTRIBUTION OF UNDERGRADUATE
FULL-TIME STUDENT
TUITION AND FEES
1975-76



S - Services & Activities
O - Operating
T - Tuition

* Central Wa State College: Operating $286.50
S & A. $145.50

** Maximum

Washington's tuition and fee structure is complex in terms of the number of separate categories. The statutes prescribe separate fees for the following categories of individuals:

	Total Tuition and Fees	
	Resident	Nonresident
Universities*:		
Undergraduates	$564	$1,581
Graduates	$624	$1,641
Medical/Dental	$840	$1,839
Veterinary Medicine	$832	$1,839
Vietnam Veterans		
Undergraduates	$432	xxxxx
Graduates	$432	xxxxx
Medical/Dental	$675	xxxxx
Veterinary Medicine	$632	xxxxx
State Colleges*:		
Undergraduates	$507	$1,359
Graduates	$567	$1,419
Vietnam Veterans		
Undergraduates	$360	xxxxx
Graduates	$360	xxxxx
Community Colleges		
Non-Vietnam Veterans	$249**	$ 681**
Vietnam Veterans	$210	xxxxx

*Apply to full-time students in terms other than summer.
**Maximum -- services and activities fees may be set at lower rates at district option.

Washington is one of three states whose total tuition and fee rates are incorporated in statute law. Seven states have mechanisms or practices which specifically involve the legislature in the approval or establishment of tuition rates, through the appropriation process or through prior certification of planned tuition levels. In the great majority of states tuition and fees are set by governing boards, usually involving some form

of consultation with their legislatures. In general, the fees for special student services (similar to our services and activities fee), are set locally or within guidelines established by multi-campus governing boards. In six states the tuition rates are related directly to the cost of education (in one of these states, this applies only to nonresidents). The practices and characteristics of these states are summarized in Section V of this report and a detailed review of their systems is contained in Appendix B.

Washington's system of tuition and fees is atypical in several respects:

-- "Tuition" refers to construction funds.

-- Fees for construction make up a substantial portion of the total.

-- Tuition and fee rates are set by statute.

-- Services and activities fees are set by law (some flexibility is provided to community colleges).

Washington is typical in one basic respect. It relies on a "mixed" system of financing postsecondary education in which both the students (and their families) and the general taxpayer share the burden of the operating and capital costs. No state has adopted the extreme positions of no student charges or full-cost pricing.

III. FEES WHICH SHOULD BE RELATED TO EDUCATIONAL COSTS

As was indicated in the previous section, there are three components of tuition and fees: tuition (used for construction), operating fees (used for general operating expenses), and services and activities fees (used for special student programs). It is our conclusion (see recommendation 3) that in no way does the latter category relate to " ... the cost of higher education which relates to instruction of students .... " as is specified in the resolution. Services and activities fees are used for other purposes. Uses include support of student government, newspapers, student organizations, recreation, special events, and, in the case of the four-year schools, construction of student activity facilities. In the three older state colleges, a portion of these funds are pledged to dormitory bond redemption.

The fees which do relate to educational costs are tuition and the operating fee. These charges support the institution through direct operating support and through provision of facilities in which educational services are provided. The fact that a large amount is dedicated to general facilities construction is a result of earlier constitutional prohibitions against bonded indebtedness. Where most states finance construction from general tax revenues, Washington has used a system of pledging a portion of student fees. There is a direct trade-off between the dedication of fees for construction and general fund support available to support the cost of instruction. Both purposes -- operations and capital -- are recognized by all states as eligible for state support. This is not the case with the types of activities supported by services and activities fees.

For the above reasons, it is our judgement that it is appropriate to relate the sum of tuition and the operating fee (shown below for each institution) to the cost of education. The comparisons which are made in subsequent sections are based on that premise.

CURRENT TUITION AND OPERATING FEES USED IN COMPARISONS

	Total Charges	Less Services & Activities Fees	Tuition and Operating Fee
UW, WSU	$564	$111.00	$453.00
CWSC*	$507	$145.50	$361.50
EWSC, WWSC, TESC	$507	$157.50	$349.50
Community Colleges	$249	$ 43.50	$205.50

*When the state colleges voluntarily raised their total to the statutory maximum in 1974, Central chose to add its increase to the operating fee.

IV. HOW HAVE TUITION AND FEES COMPARED TO EDUCATIONAL COSTS IN RECENT YEARS?

The percentage calculations provided in Table I shows the relationship of the total of tuition and operating fee charges to the educational costs derived for the years 1972-73 through 1975-76. In all but one instance (The Evergreen State College, 1973-74) the percentage relationships have declined from the percentage which existed in 1972-73, the last time tuition and operating fees were increased (other than Central's $12 voluntary increase in 1974). The reason for this is that while tuition and operating fees have remained unchanged, the cost per student has steadily increased.

Chart II provides a graphic illustration of the percentage relationships developed for resident students for the years 1972-73 through 1975-76.

CHART II

PERCENTAGE RELATIONSHIP FOR
UNDERGRADUATE RESIDENT STUDENTS

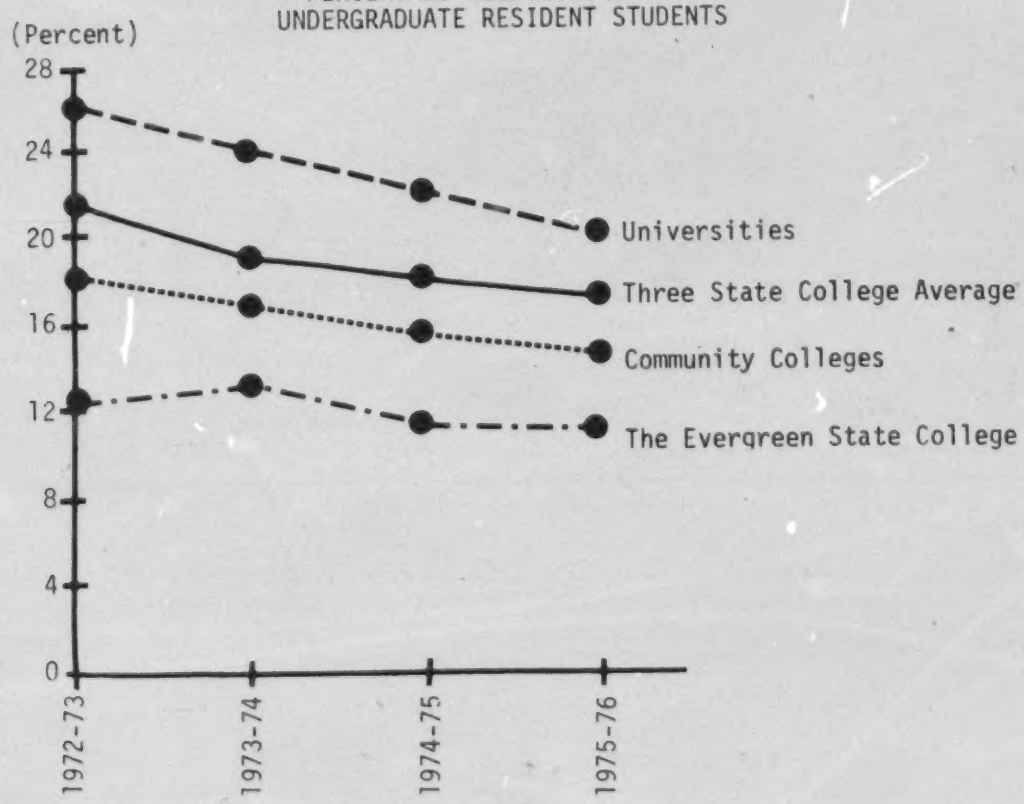


TABLE I

RELATIONSHIP OF STUDENT TUITION AND OPERATING FEES
TO UNDERGRADUATE EDUCATIONAL COSTS
1972-73 THROUGH 1975-76

	Fiscal Years			
	1972-73	1973-74	1974-75	1975-76
Universities				
Educational Costs	$1,728	$1,880	$2,061	$2,238
Percentage Relationships*				
Resident	26.2%	24.1%	22.0%	20.2%
Nonresident	85.1%	78.2%	71.3%	65.7%
Three State College Average				
Educational Costs	$1,606	$1,858	$1,934	$2,028
Percentage Relationships*				
Resident	21.8%	18.8%	18.1%	17.2%
Nonresident	75.6%	65.3%	62.7%	59.8%
The Evergreen State College				
Educational Costs	$2,870	$2,690	$3,085	$3,200
Percentage Relationships*				
Resident	12.2%	13.0%	11.3%	10.9%
Nonresident	42.3%	45.1%	39.3%	37.9%
Community Colleges				
Educational Costs	$1,124	$1,206	$1,300	$1,417
Percentage Relationships*				
Resident	18.3%	17.0%	15.8%	14.5%
Nonresident	56.8%	52.9%	49.1%	45.0%

*The tuition and operating fee values used to determine the percentage relationships are shown on page 10. The value used for the three state college average was $349.50.

**A weighted average was used to determine the composite educational cost for the three more established state colleges.

The relationships between educational cost and the tuition and operating fee charges to nonresident students reflect similar declines since 1972-73. A significant policy question in this area is the percentage of instructional costs which should be borne by the Washington taxpayer. Although there are some miscellaneous revenues which provide a small level of support, if we assume that the state subsidizes the difference between nonresident fees and the cost of education, the degree of subsidy has been as follows over the past four years:

	1972-73	1975-76
Universities	14.9%	34.3%
Three State Colleges	24.4%	42.2%
The Evergreen State College	43.2%	55.0%
Community Colleges	57.7%	62.1%

The comparisons used in this section are based on the Council's 1972-73 Unit Expenditure Study and reflect the actual operating expenditures per undergraduate student for instruction and related educational services. The expenditure and enrollment relationships developed for 1972-73 were assumed to remain constant for the ensuing fiscal years. The instructional costs for years following 1972-73 are therefore approximations based on the 1972-73 study. 1975-76 figures are based on budgeted amounts for that year.

Capital costs have not been included in the above comparisons, however, the Senate resolution directs the Council to " ... develop, test and recommend a standard method of determining the cost of higher education which relates to instruction of students, both inclusive and exclusive of related capital costs .... "

The amounts which appear in Table II on the following page employ a method of computing estimated capital depreciation costs which assumes a

fifty year useful life and excludes auxiliary enterprises, intercollegiate athletics, research and public service space. This is the approach currently used by the State of Wisconsin. The details are outlined in Appendix D along with the calculations prepared by each four-year institution and the State Board for Community College Education.

TABLE II

RELATIONSHIP OF UNDERGRADUATE TUITION AND OPERATING FEES
TO ESTIMATED EDUCATIONAL COSTS
INCLUSIVE AND EXCLUSIVE OF CAPITAL AMORTIZATION

	Educational Costs	Tuition and Operating Fees	Percentage
Universities			
Operating Cost Only	$2,238	$453.00	20.2%
Capital Amortization Cost	+ 104		
Capital and Operating Costs	$2,342	$453.00	19.3%
Three State Colleges			
Operating Cost Only	$2,028	$349.50	17.2%
Capital Amortization Cost	+ 88		
Capital and Operating Costs	$2,116	$349.50	16.5%
The Evergreen State College			
Operating Cost Only	$3,200	$349.50	10.9%
Capital Amortization Cost	+ 182*		
Capital and Operating Costs	$3,382	$349.50	10.3%
Community Colleges			
Operating Cost Only	$1,417	$205.50	14.5%
Capital Amortization Cost	+ 44		
Capital and Operating Costs	$1,461	$205.50	14.1%

*Evergreen's high amortization cost is due to the fact that the facilities are all new and have a capacity approximately twice that of existing enrollments. The community college amount is lower due, in part, to extensive off-campus and evening enrollments.

V. TUITION AND FEES COMPARED TO COST IN OTHER STATES

Senate Resolution 131, directed the Council for Postsecondary Education to survey other states to determine those states "... which currently relate student tuition and fees to higher education costs, along with the policies of those states as to the portion which is borne by students ...."

As a result of the survey, which was conducted in response to that portion of the resolution, it was found that six states currently have operational systems or approaches which relate student general purpose fees (commonly called tuition) to the cost of instruction. These states were Colorado, Florida, Kansas, New Hampshire, Oregon and Wisconsin. The systems and approaches used by those states are outlined in detail in Appendix B.

Five of the six states (Colorado, Florida, Kansas, Oregon and Wisconsin) have a great deal in common with each other and with the State of Washington. All of these states have a higher than average percentage of their population enrolled in public higher education and a lower than average proportion of enrollments in private institutions. Their per capita appropriations for higher education are above average as are their appropriations per $1,000 of per capita income. Four of the five states employ a 25 percent of cost criterion in establishing tuition levels for colleges and universities. Florida uses a 30 percent factor as its objective, although when only tuition and fees which are analogous to Washington's tuition and operating fees are included in the comparison, the objective equates to approximately 25 percent of costs at the undergraduate level.

The State of New Hampshire, which uses a 100 percent of cost standard for nonresident students has characteristics which are distinctly different.

The proportion of New Hampshire's population which is enrolled in public institutions is among the lowest. It has relatively large enrollments in private institutions and ranks 50th in appropriation levels. Although not directly related to instructional costs, New Hampshire's resident tuition and fees are among the highest of all U. S. public institutions.

In all of the states other than Kansas, the specific tuition rates are based on a proportion of instructional costs. In Kansas, total tuition revenue must approximate 25 percent of instructional costs. All of the states allow special fees (similar to our services and activities fees) to vary among the institutions. With some exceptions, nonresident undergraduates are expected to pay 100 percent of costs. Insofar as community colleges are concerned, Colorado applies a 20 percent factor, Wisconsin (for their area vocational schools) uses 25 percent or 7 percent depending on the program, Oregon tuitions are expected to equal 20 percent of instructional costs and Florida tuitions are set by the local governing boards with no percentage guideline. Three of the states, Colorado, Florida and Wisconsin, base medical school tuitions on a percentage of cost. Oregon adjusts medical school tuition by the percentage increase in the tuition for the rest of their system.

One state uses prior fiscal year information in setting the next year's rates, two states use the costs of the current year in setting the next year's rates, while three states base their rates on estimates. In all states other than New Hampshire, some deduction of costs related to research and extension is allowed. Wisconsin is the only state to include a factor for depreciation of capital facilities.

All of the states indicated general satisfaction with their existing

system and that no major changes were contemplated. A significant finding is that in no case was the percentage factor for resident students based on a determination of the relative benefits to the individual and the state.

During the October Council meeting, the staff was requested to survey the tuition policies that are currently in existence in other states; specifically California, Illinois, Indiana, Michigan, and Minnesota. A summary of the results of that review is provided in Appendix C.

VI. QUESTIONS RAISED BY THE RESOLUTION AND COUNCIL RECOMMENDATIONS

Senate Resolution 1975-131 calls on the Council to address a variety of questions and make recommendations to the legislature. This section outlines those questions, the study findings, and the recommendations of the Council.

(1) Is it a sound public policy to base tuition and fees as a proportion of educational costs?

Recommendation #100 as adopted by the Council for inclusion in the Planning and Policy Recommendations For Washington Postsecondary Education: 1976-1982 document states: "During the 1975-77 biennium the Council for Postsecondary Education will develop recommendations for a public policy on the portion of costs to be borne by students. As part of these policy recommendations, the Council will propose methods for determining the educational costs related to the instruction of students. The Council will make its recommendations to the legislature and the Governor prior to November, 1976."

Recommendation 1: The Council for Postsecondary Education reaffirms the above recommendation and believes it is sound public policy to base student tuition and fees as a proportion of educational costs and recommends active consideration of this approach by the Legislature.

(2) Should the "educational costs" include capital costs?

Technically, the full cost of education includes all costs. The question here is posed in operational terms and asks whether a capital amortization cost should be included in the pool against which tuition and fees should be compared.

From one point of view, these costs should be included since facilities support instruction and the "tuition" category is used exclusively for capital purposes.

On the other hand, it can be argued that the state has recognized a responsibility to provide the facilities for higher education as evidenced by initial construction at The Evergreen State College and new community colleges prior to student enrollment. In addition, the voters have approved general obligation bonds, both through special issues and HJR-52, the general bonding amendment.

In this context, "tuition" can be looked on as a funding device which allowed the state to avoid previous constitutional bars to long-term general debt. Under this logic, if the tuition were not used for construction it would support operational costs now funded by general tax revenues. Therefore, the state is in fact supporting construction costs, both through general obligation bonds and replacement of dedicated tuition revenue.

From a technical point of view, the methods of determining capital amortization costs are open to dispute. A straight line depreciation method understates the current value of the facilities. A replacement cost method tends to overstate the current value since it only deals with current worth in terms of how much it would cost to replace facilities and does not reflect obsolescence. (Replacement costs now average 185 percent of original costs.) Questions also exist regarding the assumption of a uniform useful life when some structures (particularly wood-frame) were intended for shorter than average use and the extent to which original equipment is to be included. See Appendix D for a summary of concerns which have been expressed by this subject. To be accurate, an on-going appraisal and highly

detailed inventory program would be necessary to ensure fairness.

Recommendation 2: The Council is of the opinion that the state has an obligation to provide the educational facilities in its public institutions and that the dedication of tuition to construction is a funding device. In addition, the Council believes that capital needs should compete with operational needs and that tuition funds not now needed for debt repayment should be available for operating purposes. The Council therefore recommends that capital amortization costs not be included in the total educational costs for calculating tuition and fees.

(3) Should the services and activities fees be included in the total fees to be related to educational costs?

The purpose of the services and activities fee category is to provide funds for student activities and related programs outside of those presented in the budget. Insofar as the state is concerned, they are neither budgeted nor appropriated but are held locally to finance a variety of local programs. Uses include support of student government, newspapers, student organizations, recreation, special events and, in some cases, intercollegiate athletics. In the case of the four-year institutions, funds are used or pledged for construction of student activity facilities. In the three older state colleges, a portion of these fees are pledged to dormitory bond redemption.

In the Council's opinion, this category is not part of "the cost of higher education which relates to instruction of students" but goes beyond that cost. It would represent a major departure to expect the general taxpayer to support the majority of these costs and could lead to incorporating

student activities into the state budget with a considerable loss of local flexibility to meet varying needs and student priorities.

Recommendation 3: The Council recommends that the services and activities fee category not be included in the total fees to be directly related to educational costs.

(4) If services and activities fees do not relate to educational costs, how should these fees be set?

As was noted above, this fee category supports local activities which vary among institutions. Staff surveys indicate that it is common practice to set these fees locally, although within general guidelines. This seems to be an area when local boards could exercise discretion as to the level of fees and their application to certain groups of students (e.g., evening or off-campus students) although statutory provision is needed to ensure bond repayments in the four-year schools.

The Council is aware of the concerns which have been expressed by student representatives regarding the uses of revenue from this source and related procedural questions. These concerns have lead to House Resolution 76-66 which calls for the institutional adoption of guidelines and procedures for adequate student input on budgeting and expenditures of these fees and a definition of the programs and activities to be supported.

In view of the testimony which has been presented, the Council sees considerable merit in setting maximum limits on this fee category. In the light of general inflationary pressures, the Council feels these maximums should be expressed as percentages of tuition and operating fees which would produce approximately the same services and activities fees as now exist

assuming the adoption of Recommendation 10. The following example outlines this interrelationship:

Universities

Educational Cost	$2,238
Recommended Tuition and Operating Fee Percent	.25
Tuition and Operating Fees	$ 560
Services and Activities Fee Percent	.20
Services and Activities Fee	$ 112
Existing Services and Activities Fee	$ 111

Recommendation 4: The Council recommends that services and activities fees be set by boards of trustees or regents within maximum limits based on the following percentages of the total undergraduate resident tuition and operating fees: universities, twenty percent; three state colleges, forty percent; The Evergreen State College, thirty percent; and community colleges, twenty percent.

(5) Should the same percentage factor apply to each type of institution?

The Council sees considerable merit in differentiating the percentage rate between types of institutions. The universities possess a greater variety of programs and options and have a depth of resources not available at the state colleges. Community colleges are the basic source of access to postsecondary education. The community college law also speaks to providing services to students "at a cost normally within his economic means". Recommendation 102 in the Council's Planning and Policy Recommendations also speaks to this subject as follows: " ... the Council recommends continued utilization of a tuition and fee pricing system that differentiates between categories of instruction."

Another factor which should be considered is the different amounts of

services and activities fees which would be outside the percentage amount. These are currently: state colleges, $157.50*; universities, $111; and community colleges, a maximum of $43.50. Application of the same percentage to the state colleges as used for the universities would result in approximately the same total charges even though the costs at the colleges is lower.

	Three Colleges	Two Universities
1. Estimated Educational Cost	$2,028.00	$2,238.00
2. Percent	x .25	x .25
3. Tuition and Operating Fees	$ 507.00	$ 560.00
4. Services and Activities Fees	157.50	111.00
	$ 664.50	$ 671.00

Recommendation 5: In establishing the proportions of educational cost to be paid by student tuition and fees, the Council recommends that differing percentage factors be applied to the different groupings of institutions.

(6) Should the same percentage factor apply to each resident fee category?

There are four basic categories now in the tuition and fee statutes which apply to resident students: undergraduate**, graduate, Vietnam veteran and medicine, dentistry and veterinary medicine. The current amounts are as follows:

	Universities	State Colleges	Community Colleges
Undergraduate	$564	$507	$249
Graduate	$624	$567	--
Vietnam Veterans	$432	$360	$210
MD/DDS/DVM	$675/$632***	--	--

*Central Washington State College = $145.50.
**Undergraduate includes postbaccalaureate students not admitted to graduate school.
***Veterinary medicine.

Until 1971, graduate students paid no additional amount and the Vietnam veteran category did not exist in the tuition and fee structure.

Vietnam Veterans

The act of freezing charges to Vietnam veterans at 1971 levels has resulted in these fees being from 15 to 29 percent below those charged to other Washington residents. Vietnam veterans' tuition and operating fees make up 12 to 15 percent of the full cost of instruction.

Graduate Students

In April, 1975, a Council staff survey* of universities in 48 states indicated that 19 of these institutions charged higher fees to resident graduate students. The differential ranged from $25 to $615 per year and median surcharge was $81. A copy of the table describing the various patterns used by other states appears on the following page.

Based on the 1972-73 Unit Expenditures Study, we estimated that the current instruction related expenditures per graduate student are approximately $4,250 at the universities and $3,400 at the colleges. Graduate tuition and operating fees now approximate twelve percent of these amounts at both the universities and the state colleges.

Of the states basing tuition and fees on a proportion of cost, three (Wisconsin, Oregon and Florida) apply percentage factors to graduate costs to determine graduate tuition and fee levels. Wisconsin and Oregon apply a lower percentage (20+ percent) and Florida uses the same factor for all categories on a per credit hour basis.

*Follow-Up Study of Tuition and Fee Comparisons, April 1975.

TABLE IV

COMPARISON INSTITUTIONS' TUITION AND FEE CHARGES TO GRADUATE STUDENTS

Institution	Resident Students			Non-Resident Students		
	Undergraduate	Graduate	Difference	Undergraduate	Graduate	Difference
Section A: Equal Dollar Differential for Resident and Nonresident Graduate Students						
University of Kentucky	$480	$530	$ 50	$1210	$1260	$ 50
University of North Dakota	435	516	81	1164	1245	81
University of Tennessee	417	447	30	1269	1299	30
University of Washington	584	624	60	1581	1641	60
Section B: Increased Charges to Resident Students Only						
University of California	$644	$704	$ 60	$2144	$2144	$ 0
Rutgers University	725	840	115	1310	1310	0
Ohio State University	780	960	180	1830	1830	0
University of Virginia	627	687	60	1552	1552	0
Section C: Increases to Resident Students - Decreases to Nonresident Students						
University of Maryland	$698	$940	$242	$1848	$1440	$-408
University of Massachusetts	549	590	41	1349	1040	-309
University of Oregon	573	837	264	1833	837	-996
West Virginia University	318.50	348.50	30	1248.50	1098.50	-150
Section D: Larger Differentials Charged to Nonresident Students						
University of Iowa	$600	$705	$105	$1434	$1584	$ 150
University of Michigan	854.50 (ave)	1470	615.50	2700 (ave)	3780	1080
University of Minnesota	714	888	174	1677	2037	360
University of Rhode Island	796	836	40	1696	1856	160
University of South Dakota	584	609	25	1280	1330	50
University of Wisconsin	610.50	796	185.50	2055	2634	579
Section E: Larger Differential Charged to Resident Student						
State University of New York	$825 (ave)	$1300	$475	$1287.50 (ave)	1600	$ 312.50
Section F: Decrease in Charges to Graduate Students						
University of Connecticut	$715	$ 704	$-11	$1715	$1204	$-511
Section G: No Increases to Resident Students - Decreases to Nonresident Students						
Louisiana State University	$320	$320	$ 0	$1050	$ 620	$-430

Medicine, Dentistry and Veterinary Medicine

Determining the "cost" of medical, dental and veterinary programs is extremely difficult due to the interrelationship of instruction, research and patient service. Based on our 1972-73 cost study and efforts of the American Association of Medical Colleges, the AVMA and other groups, we estimate that current costs would fall in range of from $10,000 to $13,000 per student. The University of Washington's current per student charge to other states under the WAMI Cooperative Medical Program is $12,900 including capital costs.

Using the above amounts as a guide, current resident tuition and operating fees bear five percent or less of the total cost related to instruction in these professional areas.

Recommendation 6: The Council recommends that the different fee categories be considered individually in establishing percentage of cost factors for tuition and fee purposes.

(7) Should the tuition and operating fees be the same for the same type of institution? Should The Evergreen State College be included with the three older state colleges or treated separately?

Recommendation 7: The Council recommends that tuition and operating fee amounts be identical in each of the following categories:

1. Two universities
2. Three state colleges
3. The Evergreen State College
4. Community colleges

This recommendation is based on the following considerations: the above institutional groupings are separately set forth in the Council's Planning and Policy Recommendations as having distinct differences in role

and mission; the institutions in these groupings have been funded on the same budget assumptions and their cost patterns are similar. In addition, consistent treatment within each group will assist the public in understanding the basis for tuition and operating fee charges and minimize confusion.

The Evergreen State College has been separated from the other colleges both for the reasons outlined in the Planning and Policy Recommendations and since we feel that students at the three older state colleges should not have to bear a portion of Evergreen's current high costs per student. Evergreen also has a flexibility not enjoyed by the older state colleges in that while their services and activities fees are the same, they have no commitments to housing or dining bonds which makes up $75 to $90 of the total at the other state colleges.

(8) What should be the basis of the cost calculations and what base year or years should be used?

In addressing this question, the Council reviewed the alternatives outlined in Appendix E which had been presented in the January staff report. The recommendation is based on the following considerations:

(A) The full cost of instruction should be based on factors developed through a thorough study of expenditures in order to properly allocate costs to instruction, research and public service functions. While it is possible to exclude certain large cost elements (federal cooperative extension for example) the costs of operating and maintaining the physical plant and the overall costs of administration among others need to be properly apportioned to the functions they support.

(B) The rates which are determined should be known well in advance. This allows accurate estimates of revenue to be made for budgeting by all parties involved; the institutions, the Governor and the legislature. This also enables prospective students to plan more effectively and helps in financial aid "packaging".

(C) The base should not be subject to temporary (albeit substantial) fluctuations due to over- or under-enrollment which could significantly impact per student expenditures. For example, the under-enrollment at Western Washington State College produced temporarily high unit costs which declined rapidly when savings were possible. The current over-enrollment in the community colleges has depressed unit costs which, if past experience is a guide, will be corrected in the next biennium.

(D) The base should reflect the public policy decisions of the legislature through the appropriation process and contain specific financial and enrollment assumptions which can be used in the calculation process.

The approach that appears to meet all of the above considerations is one which is an adaptation of alternative 2 in Appendix E. That is to base the rates for the ensuing biennium on the planned and budgeted level of funding and enrollment for the current biennium.

Recommendation 8: The Council recommends that tuition and operating fees be adjusted biennially with undergraduate resident rates for the ensuing biennium based on educational costs calculated on the basis of the budgeted levels for the current biennium through application of factors and ratios derived from the most recent Council cost analysis. The budgeted levels would be the funding and enrollment amounts used in the budget on

which original appropriations were based as adjusted by subsequent legislative and executive action during the biennium.

It is the Council's opinion that if this method were used, rates for the next biennium would be known well in advance for budgeting and planning purposes. There would be ample opportunity to monitor and review procedures and last minute miscalculations can be avoided while still basing the system on a cost analysis base and the policy decisions of the preceding legislature.

(9) What elements should comprise the cost base?

This is an extremely important question since the composition of the cost base is critical to the entire system. In view of previous and current efforts in studying unit expenditures, it is appropriate that the base consist of those elements which directly or indirectly support the instruction of students including related student services as they have been categorized in those analyses. Although the listing is not exhaustive, the following elements should be included:

(A) Direct Costs As They Can Be Attributed To Instruction*

- -- Salaries and fringe benefits of instructional personnel
- -- Salaries, wages and fringe benefits of support personnel in instructional departments, e.g., lab assistants, secretaries
- -- Salaries, wages and fringe benefits of supervision, e.g., department chairmen, directors
- -- Non-salary costs of instructional departments insofar as they support instruction directly or the personnel outlined above

Note: The above applying to student credit hours in the academic year. Excludes incremental costs of summer programs, non-credit instruction and contract instruction.

*As opposed to research or public service

(B) Other Educational Costs: The Expenditures of the Following Activities

-- Admissions
-- Registration
-- Counseling
-- Health Services
-- Testing
-- Financial Aid Administration
-- Student services to certain groups, e.g., minority programs, foreign student programs, veterans, etc.
-- Student services administration and related services

(C) Indirect Costs: Proportions of the Following Activities

-- Libraries and learning resources
-- Academic computing support
-- Ancillary support, e.g., demonstration schools
-- Other academic administration
-- Operation and maintenance of the physical plant
-- Institutional management (general administration)

In the area of exclusions, cost centers outside the state budget structure would not be included. Activities in this category are auxiliary enterprises (e.g., housing and dining), intercollegiate athletics and student activity programs financed from services and activities fees. Capital amortization costs, financial aid grants and research and public service activities would be specifically excluded. The indirect costs associated with all of the above activities would also be excluded.

In order to ensure good public understanding of the costs which are used in the calculations we would suggest that there be ample opportunity provided to executive and legislative bodies to review the criteria, definitions and procedures. The determination of costs should therefore be made as early as possible in each even numbered year, but following any special session in that year.

Recommendation 9: The Council recommends that the educational cost base include both direct and indirect costs related to instruction during the

academic year, plus the costs of student services to the extent included in the budget on which appropriations are based. Elements excluded from the cost base would include the direct and indirect costs of research and public service activities, self sustaining activities, capital amortization costs, summer programs, intercollegiate athletics, auxiliary enterprises, financial aid grants and student activity programs financed from services and activities fees.

The Council also recommends that the full cost of educational services be determined for undergraduate students in accordance with criteria, definitions and procedures developed by the Council and reviewed by the Governor or his Office of Program Planning and Fiscal Management and subject to the final approval of an appropriate legislative committee or committees. The determination should be made as early as possible in each even numbered year, but following any special session in that year.

(10) What proportions or ratios should be applied to determine tuition and operating fees?

The State of Washington uses a "mixed" system of financing postsecondary education wherein both the taxpayer and the students (and their families) share in the costs. In the course of this study, the staff has surveyed -- by letter, phone and in person -- those states which relate fees to the cost of instruction. In addition, we have contacted a number of states who have proposed such a relationship. We have also reviewed the available literature on this subject (which is considerable). In no case have we found a definitive, uniformly accepted philosophic basis indicating the proportion of total costs which should be borne by the student or the taxpayer. This was true in both the case of states which

had implemented a "cost sharing" system and those which were exploring such a system.

Arguments can be, and have been, made for the position that students should pay the full cost of education beyond the high school. Those favoring this position argue that the only quantifiable benefits are financial and accrue in greatest measure to the individual. Equally strong arguments can be made that society should bear the whole cost of as much education as an individual can attain due to the psychic-societal benefits of an educated citizenry*.

Most states, however, have taken the same approach as Washington, that the cost of higher education or its benefits cannot be definitely attributable to either clientel -- society or the student -- that it is a mixed cost producing mixed benefits. The discussion then centered on what is a reasonable and fair share for each.

If the extremes of full cost pricing and zero tuition are not implemented (and they have not been fully implemented in any state), it becomes a matter of judgement as to the proportion of the instructional cost which should be borne by the users of instructional services. As Bowen and Servelle** point out, "The controversy is basically one of values and judgements. Neither side can overwhelm the other." They go on to note

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*A discussion of the various points of view are available in a number of papers and monographs. For further information, it is suggested that the reader refer to the June, 1973 Carnegie Commission report, Higher Education: Who Pays? Who Benefits? Who Should Pay? and the Commission's April, 1974 supplemental statement, Tuition. Both contain excellent bibliographies. Chapter 2 of the Council's report, Financing Postsecondary Education in the State of Washington, also includes an extensive discussion of this subject.

**Bowen, Howard and Servelle, Paul, Who Benefits From Higher Education -- And Who Should Pay? Washington, D.C. ERIC, 1972.

that, "Basically the finance of American higher education continues to be a mixed system ... evolved to meet the exigencies of institutions and students and it has been a product of the complex cross-currents of American politics."

Within this context, the determination of the proportion of the cost of educational services to be borne by the users is a matter of judgement which ultimately must be made by public policy makers, in this case the legislature. Under Senate Resolution 1975-131, the Council is asked to make recommendations on this subject in keeping with its statutory responsibility to "study levels of fees and charges to students and, when necessary, make recommendations to the institutions, legislature and governor."

(A) Undergraduate Resident Students

As the survey discussed in Section V indicates, those states which base tuition and fees on a percentage of cost have tended to center on a twenty-five percent factor* for the four-year institutions and twenty percent in two-year institutions. Those states which have made recommendations on this subject have tended to focus on a one-third factor for four-year institutions which is consistent with the recommendations of the Carnegie Commission on Higher Education. The Commission recommended in Who Pays? Who Benefits? Who Should Pay? a low or no tuition policy for community colleges and a one-third of cost position for four-year institutions.

In its supplement Tuition (1974), the Carnegie Commission provided extensive information on the proportion of education and general expenditures**

*Including Florida, when student aid and student service fees are excluded.

**Excluding research. This base is somewhat larger than that recommended earlier since it includes extension and public service and all general institutional expenditures as opposed to a pro rata sharing.

borne by revenue from tuition and fees which provide education and general income. While the base is somewhat different, the proportions and the relationships among types of public institutions are of interest. In 1971-72 the proportions were as follows:

Universities	23.1%*
Comprehensive Colleges and Universities and Liberal Arts Colleges	19.5% - 22.8%
Two-Year Institutions	16.7%

In the first two years after tuition and fees were last increased in Washington, the sum of tuition and operating fees bore the following percentage relationships to educational costs: universities, 25%; three state colleges, 21%; Evergreen, 12.5%; and community colleges, 17.5%. (See Table I for a year by year breakdown.)

The information in Table III on the following page is provided to put the possible alternatives in perspective. Educational costs for 1975-76 are estimated based on the 1972-73 study applied to 1975-76 budgeted amounts and include the elements outlined in the discussion of the previous recommendation. Services and activities fees are shown at existing statutory levels.

Recommendation 10. The Council for Postsecondary Education recommends that the total of tuition and operating fees charged to resident undergraduate students bear the following relationships to undergraduate educational costs:

(A) Universities, one-fourth or twenty-five percent
(B) Three state colleges, one-fifth or twenty percent
(C) The Evergreen State College, one-fifth or twenty percent
(D) Community colleges, one-sixth or sixteen and two-thirds percent

*The effect of the larger base is highlighted in that those institutions with more research and public service activity were at 21 percent while the other subcategories ranged from 25 percent to 26 percent.

TABLE III

COMPARISON OF ALTERNATIVE PERCENTAGES
Undergraduate Tuition and Operating Fees to Educational Costs

	Tuition and Operating Fees	Services and Activities Fees	Total
Universities			
Current (20.2%)	$ 453	$111	$ 564
15.0%	336	111	447
16.7% (one-sixth)	374	111	485
20.0% (one-fifth)	448	111	559
25.0% (one-fourth)	560	111	671
30.0%	671	111	782
33.3% (one-third)	745	111	856
100.0%	$2,238	$111	$2,349
Three State College Average*			
Current (17.2%)	$ 349.50	$157.50	$ 507
15.0%	304.50	157.50	462
16.7% (one-sixth)	338.50	157.50	496
20.0% (one-fifth)	405.50	157.50	563
25.0% (one-fourth)	507.50	157.50	665
30.0%	608.50	157.50	766
33.3% (one-third)	675.50	157.50	833
100.0%	$2,028.00	$157.50	$2,185.50
The Evergreen State College			
Current (10.9%)	$ 349.50	$157.50	$ 507
15.0%	480	157.50	637.50
16.7% (one-sixth)	533.50	157.50	691
20.0% (one-fifth)	640	157.50	807.50
25.0% (one-fourth)	800	157.50	957.50
30.0%	960	157.50	1,117.50
33.3% (one-third)	1,066.50	157.50	1,224
100.0%	$3,200	$157.50	$3,357.50
Community Colleges			
Current (14.5%)	$ 205.50	$ 43.50	$ 249
15.0%	212.50	43.50	256
16.7% (one-sixth)	236.50	43.50	280
20.0% (one-fifth)	283.50	43.50	327
25.0% (one-fourth)	354.50	43.50	398
30.0%	425.50	43.50	469
33.3% (one-third)	472.50	43.50	516
100.0%	$1,417	$ 43.50	$1,460.50

*EWSC and WWSC pattern shown. CWSC operating fees are $12 higher and services and activities fees are $12 lower.

Further, that the total tuition and operating fees at The Evergreen State College not exceed those of the two universities.

The Council also suggested that if these recommendations are implemented that the Evergreen Board of Trustees carefully consider its level of services and activities fees and their impact on total charges to students attending that institution.

The Council recognizes that other alternatives are possible, including higher objectives with a phase-in period, but believes that the recommended proportions reflect its basic policy and planning recommendations and recognize practical realities. It could be contended, for example, that the colleges and universities should be at the same percentage. The fact that the three colleges have made commitments to long-term debt of auxiliary facilities should be taken into account. As the table indicates, the total charge at 25 percent would be $665, only $6 lower than the universities. The application of the 20 percent factor results in an overall relationship to the universities which is in keeping with the planning objectives. The recommended level for community colleges recognizes the commitment to access in the plan and the statutory objective of keeping costs normally within the students' economic means.

(B) Vietnam Veterans

During the debate on the 1971 tuition and fee increase measure, the legislature amended the proposal to exempt veterans of the Vietnam conflict from the payment of any increase in tuition and fees above levels in effect in March 1971. The exemption applies only to resident students. The differences in charges to these individuals and other resident students is as follows:

	Resident	Vietnam Veteran	Percent	Dollar Difference
Universities				
Undergraduate	$564	$432	76.6%	$132
Graduate	624	432	69.2%	192
State Colleges				
Undergraduate	$507	$360	71.0%	$147
Graduate	567	360	63.5%	207
Community Colleges	$249	$210	84.3%	$ 39

The Council has taken the following factors into account in making its recommendation on this fee category:

(1) The eligibility of these students for G. I. Bill benefits which total $2700 for a ten month period for single veterans;

(2) The desirability of equity in a system where tuition and operating fees are based on a proportion of educational costs; and

(3) Its overall policy of opposing waivers which are not based on financial need.

Recommendation 11: The Council recommends that the statute exempting Vietnam veterans from tuition and fee increases be repealed and that these individuals pay the same tuition and fees as other resident students.

(C) Graduate Students and Students Enrolled in Medical and Dental Programs

Insofar as graduate and medical and dental students are concerned, we believe that there is good reason to use a procedure which results in higher charges but not in the same proportions as undergraduates. These programs can be controlled in terms of the public's interest in the amount of highly trained individuals in certain fields. The state has no overall commitment to access in this area but has a specific interest in the results of graduate and professional education.

Another factor to be considered is the lack of student aid for these students, many of whom have already incurred long-term debt in their undergraduate education. Until such time as the many questions as to the state's interest in graduate and professional education is resolved and effective financial aid can be made available, the Council suggests that these rates be set as a proportion of the rates for resident students using the current relationships as a guide. This approach is illustrated for graduate students in Table IV on the following page.

Recommendation 12: The Council recommends that the tuition and operating fees charged to graduate students be based on one hundred fifteen percent of the tuition and operating fees paid by undergraduate students.

Recommendation 13: The Council recommends that the tuition and operating fees charged to students enrolled in programs leading to the degrees of doctor of medicine, doctor of dental surgery and doctor of veterinary medicine be based on one hundred sixty percent of the tuition and operating fees paid by undergraduate students.

TABLE IV

COST PER FTE GRADUATE STUDENT AND
SUGGESTED METHOD OF CALCULATING
TUITION AND OPERATING FEES

	Universities	State Colleges
1972-73	$3,286	$2,692
Percent Increase in Cost to 1975-76	30%	26%
Estimated 1975-76 Cost Per Student	$4,255	$3,399
Current Tuition and Operating Fees	$513 (12.0%)	$409.50 (12.0%)

Impact of Alternative Percentages

Universities	Tuition and Operating Fees	Services and Activities Fees	Total
Current (12.0%)	$ 513	$111	$ 624
15.0%	638	111	749
16.7%	711	111	822
20.0%	851	111	962
25.0%	1,064	111	1,175
30.0%	1,276	111	1,387
33.3%	1,418	111	1,529
100.0%	$4,255	$111	$4,366
Three State Colleges			
Current (12.0%)	$ 409.50	$157.50	$ 567
15.0%	509.50	157.50	667
16.7%	566.50	157.50	724
20.0%	679.50	157.50	837
25.0%	849.50	157.50	1,007
30.0%	1,019.50	157.50	1,177
33.3%	1,132.50	157.50	1,290
100.0%	$3,399.50	$157.50	$3,557

Suggested Method

	Universities	State Colleges
Undergraduate Tuition and Operating Fee	$560 (25%)	$405.50 (20%)
Graduate Factor	115%	115%
Graduate Tuition and Operating Fee	$644 (15%)	$466.50 (14%)
Services and Activities Fees	$111	$157.50
	$755	$624.00

VII. WAIVERS OF TUITION AND FEES

Senate Resolution 1975-131 asks the Council for recommendations dealing with waivers of tuition and/or fees for various categories of individuals now set forth by statute. As the following inventory illustrates, there are thirteen such programs aiding over 11,000 people through need based waivers, special exemptions or full or partial waivers due to the individual's status or relationship.

With the cooperation of the State Board for Community College Education, Council staff surveyed each institution to determine the degree to which each program is being used. Although in some cases estimates have been used, the total are reasonably reflective of the extent of use. That information, along with a brief description of each program follows:

(1) "Three Percent" Waiver Program: RCW 28B.15.530

Provides that institutions may waive tuition, operating and services and activities fees for needy or disadvantaged Washington residents and that the total amount of all such waivers shall not exceed three percent of total collections exclusive of the added amount paid by nonresidents. This program was instituted in 1971 and is in operation as a basic part of the state's financial aid effort. Approximate number of students aided in 1974-75: 5,656.

(2) Blind Students Assistance: RCW 28B.10.210

Provides that no blind student shall be charged any tuition or laboratory fee by any state institution. This program dates back to 1935 and is supplemented by appropriations for other assistance which are made to the Council. Approximate number of students aided in 1974-75: 40.

(3) High School Completion: RCW 28B.15.520-525

Allows community colleges to waive tuition, operating and services and activities fees for needy students pursuing a high school diploma or certificate. Authorized in 1969 and administered as a part of the three percent program. Several attempts (including an appropriations act proviso) have been made to eliminate the "need" criteria. Approximate number of students aided in 1974-75: 1,218.

(4) Children of Law Enforcement Officers or Fire Fighters Deceased or Totally Disabled in the Line of Duty: RCW 28B.15.380, 28B.15.520 and 28B.40.361

Allows waiver of tuition, operating and services and activities fees for such children over the age of nineteen years. Initiated in 1973. No students identified as being aided in 1974-75.

Various Veterans Programs*

(5) Children of Deceased or Totally Incapacitated Veterans: RCW 28B.10.250

Provides that no "tuition" shall be charged to such children when certified by the Council for Postsecondary Education. The program began in 1937 and is still in operation. Approximate number of students aided in 1974-75: 712.

(6) Children of POW's or MIA's: RCW 28B.10.265

Provides that no tuition, operating or services and activities fees shall be charged to children of persons who lived in Washington and were classified as a prisoner of war or was missing in action in Southeast Asia or Korea after 1971. Enacted in 1972. Approximate number of students aided in 1974-75: 5.

*In addition to reduced rates for 10,913 veterans of the Vietnam conflict.

(7) Veterans Who Have Exhausted Federal Benefits (Universities and State Colleges Only): RCW 28B.15.380 and 28B.40.361

Authorizes the waiver of tuition, operating and services and activities fees for such resident veterans and the waiver of half of the amount for nonresidents. Authorized in 1947 and amended in 1969, but has not been generally implemented. Approximate number of students aided in 1974-75: 31 (University of Washington only).

Waiver Programs: Universities

(8) Foreign Students, Universities: RCW 28B.10.200

Provides the two universities may each waive the tuition, operating and services and activities fees for up to 100 foreign students each year. This program began in 1945 and is in operation. Approximate number of students aided in 1974-75: 182.

(9) University Staff Members: RCW 28B.15.380(2)

Provides that members of the staffs of the two universities may receive waivers of tuition, operating and services and activities fees. The authorization dates back to 1921 and is in operation on a selective basis. Approximate number of students aided in 1974-75: 1,019 (University of Washington only)

(10) Public School Teachers Supervising Cadet Teachers From the University of Washington: RCW 28B.15.350(3)

Similar waivers as in B above are authorized. No students identified as being aided in 1974-75.

Waivers of Nonresident Fees: RCW 28B.15.104

Certain classes of people are entitled by this statute to classification as Washington residents for fee purposes:

(11) Any person who is employed not less than twenty hours per week at an institution, and the children and spouses of such persons. Approximate number of students aided in 1974-75: 1,822.

(12) Military personnel and federal employees residing or stationed in the State of Washington, and the children and spouses of such military personnel and federal employees. Approximate number of students aided in 1974-75: 558.

(13) All veterans, as defined in RCW 41.04.005 whose final permanent duty station was in the State of Washington so long as such veteran is receiving federal vocational or educational benefits conferred by virtue of his military service. Approximate number of students aided in 1974-75: 79.

The total number of students aided by these programs in 1974-75 was 11,322.

As the above listing indicates, the tuition and fee statutes of Washington are not applied to the same extent to all classes of people. Exemptions have been used to compensate or reward groups, recognize need or a perceived social obligation or provide a fringe benefit. Classification or nonresidents as residents has been used to recognize federal employee transfer policies and to provide immediate resident classification for institutional employees including graduate teaching assistants.

As a general policy, the Council opposes waiver programs which are not need based and where no overriding educational need exists. The Council recognizes that the legislature has determined that specific groups should be accorded an educational benefit by virtue of service or circumstances, but feels that these programs should be periodically reviewed to determine whether these programs are still necessary.

Recommendation 14: The Council recommends that the legislature carefully review each tuition and fee waiver program with the objective of retaining only those which are based on need. To the extent that tuition and fee waivers are continued, they should be made more visible in order to provide an opportunity for continuing review. The Council therefore recommends that each tuition and fee waiver program should be listed in the Governor's budget along with the number of students aided in each year. The cost of the program, in terms of lost revenue, should also be indicated. Those programs which are continued should not be optional but should be consistently applied within criteria or limits set forth by the law establishing the program.

Recommendation 15: The Council specifically recommends that the legislature, in its 1977 regular session, abolish or modify the following programs:

(A) Public School Teachers Supervising Cadet Teachers From The University of Washington: RCW 28B.15.380(3). Repeal is recommended.

This program is not now in use and is not planned to be used to the best of our knowledge.

(B) University Staff Members: RCW 28B.15.380(2) Repeal is recommended.

Several other four-year institutions have adopted reduced rate schedules for staff members enrolled part-time; usually in courses related to their employment. We do not question the desirability of staff development, but feel that either the reduced rate approach should be used or that the program be funded as the staff development activities of state agencies are funded, or that a possible approach combining the two alternatives be developed. In either case, we recommend that RCW 28B.15.380(2) be repealed.

(C) Veterans Who Have Exhausted Federal Benefits: RCW 28B.15.380(1) and 28B.40.361 Repeal is recommended except for students currently enrolled.

This program is now in use only at the University of Washington where 31 World War II veterans are now receiving waivers. The Council recommends that the program be terminated at such time as these individuals have completed their courses of study and that the program not be initiated at any other institution.

(D) Blind Students Assistance: RCW 28B.10.215 Amending the statute is recommended to eliminate the waiver and increase the direct allocation amount.

Currently only the tuition and laboratory fees are waived. The students receiving this aid are also covered by vocational rehabilitation or the Council's direct aid program, which is authorized by this statute. Both support programs could pay the tuition and laboratory fees (in the case of vocational rehabilitation, federal funds make up the major share) and the waiver provisions can be abolished and the blind students would not be adversely affected if the allocation amounts in the statute were increased.

APPENDIX A

SENATE RESOLUTION 1975-131

IN THE LEGISLATURE
of the
STATE OF WASHINGTON

SENATE RESOLUTION
1975 - 131

By Senators Sandison, Goltz, Benitz, Scott, Odegaard, Donohue and Guess

WHEREAS, It is recognized that the benefits of public higher education are shared by both the individual who enrolls and society in general; and

WHEREAS, There has been considerable public debate, both within the state and nationally, concerning the portion of the cost of an individual's instruction which should be borne by the student and the state; and

WHEREAS, Tuition and fees in Washington's public universities, colleges, and community colleges, are established as detailed rate schedules within the statutes and have been adjusted in the past primarily in response to financial problems facing higher education and not in terms of a standard policy as to the share of costs which should be borne by the student; and

WHEREAS, A uniform, well understood methodology for determining the costs related to instruction of students in universities, colleges and community colleges is necessary in order to consider policies in this area;

NOW, THEREFORE, BE IT RESOLVED, That the Senate Higher Education and Ways and Means Committees shall, with the cooperation of the Council for Post-secondary Education and various public universities and state colleges, the State Board for Community College Education, the Office of Program Planning and Fiscal Management, and legislative staff, develop, test and recommend a standard method of determining the costs of higher education which relate to instruction of students, both inclusive and exclusive of related capital costs. Such methodology should contain provision for estimating per student costs for the biennium following legislative appropriations of funds for higher education institutions.

BE IT FURTHER RESOLVED, That the Council for Post-secondary Education shall survey the methods used by those states which relate student tuition and fees to higher education costs, along with the policies of those states as to the portion which is to be borne by students.

BE IT FURTHER RESOLVED, That the Council for Post-secondary Education shall make recommendations concerning the proportion of cost which should be borne by the various categories of students in Washington's public universities, state colleges and community colleges, including recommendations dealing with waivers of tuition and/or fees for various categories of individuals now set forth by statute.

BE IT FURTHER RESOLVED, The Council for Post-secondary Education shall submit a prelimihary report of its findings and recommendations to the Senate Committee on Higher Education of or before November 1, 1975, and a final report by not later than January 1, 1976.

BE IT FURTHER RESOLVED, That a copy of this resolution be transmitted immediately upon adoption by the Secretary of the Senate to the House of Representatives, the Council for Post-secondary Education, State Board for Community College Education, and the Office of Program Planning and Fiscal Management.

I, Sid Snyder, Secretary of the Senate, do hereby certify that this is a true and correct copy of Senate Resolution 1975-131, adopted by the Senate, June 9, 1975.

SID SNYDER
Secretary of the Senate

APPENDIX B

SURVEY OF SYSTEMS USED BY STATES WHICH BASE TUITION AND FEE RATES ON A PROPORTION OF INSTRUCTIONAL COSTS

SURVEY OF SYSTEMS USED BY STATES WHICH BASE TUITION AND FEE RATES ON A PROPORTION OF INSTRUCTIONAL COSTS

Appendix B contains the detailed results of the survey conducted by the Council in response to Senate Resolution 1975-131. The resolution directed the Council to determine those states which relate tuition and fees to instructional costs and the policies of those states.

As a result of a review of research which had been done in this area, we were able to use the information gathered by the Virginia Council of Higher Education in October, 1974. In that survey, the Virginia Council asked each state if it set its tuition levels as a percentage of the cost of educational programs. After securing the survey results from the State of Virginia, they were combined with information already available in our office. Through this process we were able to eliminate thirty-two states. The remaining eighteen states were then surveyed by Council staff. These states were categorized as follows:

(1) Those states for which information was not clear as to whether they had a policy which related student charges to cost. These were: Arizona, Idaho, Minnesota, Maryland, Nebraska, and Rhode Island.

(2) Those states which were considering such a policy: Florida, Illinois, Michigan, New Jersey, Ohio, Oregon, Utah and Virginia.

(3) Those states where there was a definite indication that fees were set in relation to instructional costs: Colorado, Kansas, New Hampshire and Wisconsin.

As a result of the survey, we have determined that six states currently have operational systems or approaches which relate student general

purpose fees (commonly called tuition) to the cost of instruction. These states (Colorado, Florida, Kansas, New Hampshire, Oregon and Wisconsin) were also contacted in person or by telephone.

The summary that follows provides a state-by-state review of the practices and approaches used in the establishment of tuition and fees in the six states.

Colorado System of Calculating Tuition and Fees

The approach to tuition charges in Colorado seems to be functioning well and with a minimum of controversy. The methodology used sets tuition for the current academic year at a percentage of the estimated total "Education and General" expenditures for the previous fiscal year.

The tuition policies in effect in Colorado were established by the legislature several years ago. Colorado resident tuition rates are set at 25 percent of cost while nonresidents pay 100 percent of cost at the four-year institutions. For resident students in the two-year sector, tuition is 20 percent of costs on a weighted average basis for the two-year state institutions as a whole. In the four-year sector, resident tuition is based upon the cost of each institution individually. For nonresidents the cost base in all institutions (two-year and four-year) is that for each individual institution. Some relatively small exceptions have been approved by the legislature: at the community colleges in the southern part of the state, nonresident tuition has been reduced to 65 percent of cost; resident and nonresident tuition at the Colorado School of Mines has been based on Boulder tuition. Tuitions at the School of Medicine and the C.S.U. School of Veterinary Medicine are established at 12.5 percent of the direct costs for residents and 50 percent of the

student for fee purposes; and modifying the cost base or increasing the percentage to be paid by students. Overall fiscal problems were cited as the reasons for the review.

The cost base used by Colorado is an estimate of expenditures for the year prior to the year in which the tuition rates will be in effect. Included are all state supported activities other than Extension and Public Service. Recovery of indirect costs related to research is deducted. No facilities use cost (amortization) is included other than on-going maintenance. The cost base is reviewed with the Joint Budget Committee (JBC) of the legislature prior to establishing the specific rates.

The process was prescribed by the JBC and appears to be well understood by its members. No change (other than possible procedural modifications) is anticipated. The percentage factors used by Colorado are not based on any analysis of relative benefits to the student and the state. When established, the 25 percent factor produced a tuition which the legislature felt was comparable to rates in states with which they compare.

Florida System of Calculating Tuition and Fees

In Florida, postsecondary education is made up of two distinct groups. The community college system has 28 autonomous districts each with its own governing board. The related state agency has only a coordinating role. The public four-year institutions (state university system), on the other hand, have a single governing board.

The student fee structure for the four-year institutions is considerably more complex than implied in the summary provided in the January 1976 staff report. After Florida officials had ample opportunity to review, comment and provide Council staff with supplemental data, it became clear

direct costs for nonresidents. Tuitions at the School of Nursing are 25 percent of the direct costs for residents and 100 percent for nonresidents. The tuition for the Dental School is 100 percent of direct costs with 87.5 percent waived for resident students who agree to practice after graduation in an area of the state determined by the Regents to be in need of dentists.

Colorado tuition and fees are divided into two segments, "tuition" and "student fees". The percentage factors determine the former while the latter vary among the institutions. Tuition is analogous to Washington's operating fee and student fees are similar to our services and activities fee. In contrast to the State of Washington, no student fees are dedicated to construction or bond redemption.

Although the basic concept of setting tuition rates as a percentage of educational costs within the institutions is not an issue, the mechanics and procedures used are currently under review. For instance, only the community colleges have a standard tuition charge based on composite instructional costs. All the four-year institutions have differing tuition rates based on their individual expenditure patterns. A question exists as to whether the composite approach should be used for groups of four-year institutions. There is also concern as to the varying levels of student fees charged at the institutions. Each institution has complete autonomy in setting student fees and consequently there are wide disparities among institutions.

The Colorado Commission on Higher Education is also studying a number of policy modifications including: a surcharge for students enrolling for more than 18 credits; standardization of the definition of a full-time

that their fee structure actually consisted of four components containing seven fee categories. A "Matriculation Fee" is analogous to Washington's "Operating Fee". Their "Building Fee" and "Capital Improvement Trust Fund Fee" taken together are similar to Washington's "Tuition" category. (In contrast to the other states surveyed, Florida does dedicate a portion of their student fees to capital construction and/or bond redemption.) Florida's "Activity and Service Fee" is analogous to Washington's "Services and Activities Fee". In addition, however, Florida has a "Student Financial Aid Fee", a "General Student Aid Fee" and a "Student Financial Aid Trust Fund Fee" which have no counterpart in the Washington fee structure.

The current policy of relating tuition and fee charges to instructional costs in the public four-year institutions was developed and proposed to the Florida legislature by the Board of Regents during the 1975 legislative session. Executive and legislative revenue estimates for the state university system for the current fiscal year were based on the criteria as presented by the Board. Community college student fee rates, however, continue to be set locally within the state guideline which allows for a range of $8.00 to $12.00 per quarter hour.

Florida student fee rates are based on a charge for each credit hour. The determination of instructional costs is also based on a per student credit hour cost. The state university system uses the budgeted student credit hours related to each student level and the corresponding appropriated dollars for the prior fiscal year to calculate instruction costs. These costs serve as the base in determining the student fee charges for the current year. Stated another way, the student fee charges for the current academic year (1975-76) are based on the 1974-75 appropriation. (Historical costing data are used to apportion credit hours and dollars to the various student levels.)

The state university system approach distinguishes between resident and nonresident students and identifies five separate student levels: (1) lower division undergraduate, (2) upper division undergraduate, (3) graduate level exclusive of thesis/dissertation, (4) graduate level thesis/dissertation, and (5) professional. Total resident student fees are to equal 30 percent of the instructional costs applicable to each of the student levels identified and nonresident students are to pay 100 percent of these costs, with the proviso that state support for lower division students not be greater than that for community college students.

The state university system approach contains three significant provisions. The first provision calls for a phase-in period to reach the desired percentage levels for resident and nonresident students respectively. The second provision calls for equal funding from the state for lower division undergraduate student credit hours in both the state university system and in the community college system. Since the costs for lower division instruction in the state university system are currently higher than in the community college system, the students attending any of the state universities must pay the difference. The third provision limits the tuition increase in any given year to not more than 30 percent of the previous year's base. Consequently, these provisions will make it difficult during the next few years for the Florida state university system to reach the specified student fee levels in certain categories (e.g., professional).

The effect of these policies is that the proportion of full instructional costs paid by the fees analogous to Washington's tuition and operating fee will be approximately 25 percent at the undergraduate level and 27.5 percent at the graduate level after a full phase-in. By 1977-78 (the

third year of the initial phase-in period) the total of the "Matriculation Fee", "Building Fee" and "Capital Improvement Trust Fund Fee" paid by a lower division resident student in the state university system will approximate 30 percent of his or her instructional costs. As the following table indicates, the total of these fees paid by an upper division student and a graduate student are expected to approximate 24 and 27.5 percent respectively by 1977-78.

FLORIDA
STUDENT FEE PERCENTAGES AS
A COST OF INSTRUCTION
ESTIMATED FOR 1977-78

Description	All Fees Included	Matriculation Fee Plus Building Fee Plus Capital Improvement Trust Fund Fees
Resident Students		
Lower Division	37%	30%
Upper Division	30%	24%
Graduate	30%	27%
Graduate With Thesis	30%	28%
Professional	*	*
Nonresident Students		
Lower Division	100%	92%
Upper Division	100%	94%
Graduate	100%	97%
Graduate With Thesis	100%	97%
Professional	*	*

*Not available -- however, the respective percentages are less than 30 and 100 percent.

Kansas System of Calculating Tuition and Fees

The approach used by the Kansas Board of Regents to establish tuition* and fees is substantially different from that of the other states reviewed in the report.

Individual rates are not set as a percentage of instructional costs. The total revenue to be generated from tuition is derived from estimated "educational costs". Revenue is expected to approximate 25 percent of costs related to instruction.

Another difference is the time cycle used in establishing tuition levels. Adjustments are made every four years based on projected expenditure levels for the next four years. The portion of the budget supported by tuition is therefore greater than 25 percent in the first two years and lower in the second two years.

Kansas tuition and fees are divided into two main categories: Tuition (or General Fees) and Restricted Fees. Tuition is set by the regents with a standard amount for the three universities and a lower amount for the three colleges. Restricted fees vary by institution. In February, 1974, the university tuition produced revenue equal to 27.6 percent of related costs while college tuition generated revenue equal to 20.8 percent. Due to larger enrollments at the universities, the composite proportion borne by student fees was 26 percent.

It should also be noted that the revenue from nonresident tuition (2.5 to 3 times higher than resident charges) counts toward the 25 percent objective so that the proportion borne by resident students is less than

*Called "General Fees" in the State of Kansas. The term "tuition" is used in this summary for consistency with the other states.

25 percent. There is no graduate differential fee at Kansas institutions.

The cost base which is estimated consists of educational and general costs less organized research, extension services and capital improvements. No depreciation cost is included in the base. It also excludes any other part of the budget which is funded from restricted fees.

Kansas officials indicate satisfaction with their present system and have no plans to modify the proportion or the basis of "cost". The 25 percent factor was not based on any study of relative benefits but represents a level similar to other states used for comparisons.

New Hampshire System of Calculating Tuition and Fees

New Hampshire has a unique system in several ways: First, it has a very small public higher education system, i.e., the University of New Hampshire system has only three four-year institutions (no two-year) with an enrollment of approximately 16,500 students; second, there are no professional schools in the system, and finally, there is no differential charge between undergraduate and graduate students. Current resident tuition at the University of New Hampshire-Durham, as reported by the State University of New Hampshire System Office, is $900 and nonresident tuition is $2,600. An additional $93.00 required fees is charged of all full-time students.

New Hampshire tuition and fees are divided into two segments, "tuition" and "student fees". Tuition is analogous to Washington's operating fee and student fees are similar to our services and activities fee. In contrast to the State of Washington, no student fees are dedicated to construction or bond redemption.

The cost of instruction figures used are estimates of those costs for the preceding fiscal year. In other words, the tuition charges for academic year 1975-76 are based on the expenditure patterns for fiscal year 1975 (the 1974-75 academic year). In calculating the cost of instruction, all education and general expense items are included. In addition, any state funds that are expended for extension, public service and organized research are included in the overall cost of instruction.

Telephone contact with the New Hampshire Postsecondary Education Commission in October, 1975 indicated that a policy existed to set resident fees at fifty percent of instructional costs. A draft copy of the survey report was sent in November to the New Hampshire Commission asking them to advise the Council if substantial errors existed in the report. No response was received and the information was incorporated in subsequent reports. We are now advised that the policy only applies to nonresident students whose tuition is set at 100 percent of costs. Resident tuition is set at the discretion of the Board of Trustees.

Oregon System of Calculating Tuition and Fees

The approach used by the State of Oregon to calculate tuition and fees for the four-year colleges and universities comprising the State's Department of Higher Education is less formal than that of either Colorado or Wisconsin. Tuition is established by the State Board of Higher Education based on an objective of resident undergraduates paying approximately 25 percent of the cost of instruction and nonresident undergraduates paying

full instructional costs. Graduate students, both residents and nonresidents, pay 20 percent of graduate instruction costs. 1975-76 resident undergraduate tuition is expected to be slightly in excess of the 25 percent objective.

Tuition in Oregon's community colleges is set by local boards in accordance with a general state policy guideline. It is assumed that tuition will provide 20 percent of total support with 50 percent to be provided by the state and 30 percent from local property.

Tuition and fees in Oregon's colleges and universities are divided into three segments: tuition, building fee and incidental and health fees. Tuition is analogous to Washington's operating fee, the building fee is similar to Washington's "tuition" (although at $12.50 per quarter it is substantially less) and the incidental fees relate to our services and activities fees. The building fee is a maximum set by statute while the incidental fees vary among the institutions within a range approved by the State Board.

A single resident undergraduate tuition rate is established for all institutions other than the Oregon Institute of Technology (OIT). The rate is based on the composite budgets of all the institutions divided by weighted full-time equivalent enrollment. Lower division students are weighted 1.0, upper division students 1.25, and graduate students at 2.0. The cost base includes all education and general activities exclusive of summer session, extension and research. Indirect cost reimbursement is deducted to reflect support costs related to research. Also excluded from the base are the cost of centralized activities and estimated depreciation.

Exceptions to the above practice are: (1) nonresident tuition at the three state colleges which are less than 100 percent of cost to broaden the student body at those campuses; (2) tuition at the Medical and Dental Schools which is based on historical rates adjusted upward by the percentage increase in fees at the other institutions; and (3) OIT, where the costs of that institution are used as the base. From discussions with officials of the State Board, it appears that the approach has been satisfactory in dealing with the Governor and the legislature. The Joint Ways and Means Committee has not gone into great detail in the calculation process. They are, however, aware of the shared cost aspect when considering appropriation levels.

It is evident that there was no philosophic basis for the 25 percent objective. There has been no attempt to determine relative benefits. Rather, the 25 percent reflects an historical pattern which has become more formalized in dealing with budgetary matters.

Wisconsin System of Calculating Tuition and Fees

The approach to tuition and fee charges in Wisconsin appears to have made routine adjustments in student charges a "non-issue" insofar as the university system and the legislature is concerned. The approach has evolved since 1960 and now is based on resident undergraduates paying 25 percent of average undergraduate costs per student; resident graduates, 21-22 percent* of graduate costs; nonresident undergraduates, 100 percent;

*Increased in 1975-76 as a result of budget recommendations by the Governor that graduate fees be increased to 25 percent. The fee increase was not, however, specified by the legislature although the general fund reduction was not restored.

and nonresident graduates, 70 percent of cost. "Cost" is the result of calculations applied to the budget for the year to which the tuition will apply.

Wisconsin tuition and fees are divided into two setments, "academic fee/tuition"* (hereafter referred to as tuition) and "segregated fees". The percentage factors determine the former while the latter vary among the campuses. Tuition is analogous to Washington's operating fee and segregated fees are similar to our services and activities fee. Unlike the State of Washington, no student fees are dedicated to construction or bond redemption of academic buildings.

Two resident undergraduate tuition rates are established through the system; one for the "doctoral cluster", the Madison and Milwaukee campuses, and the second for the "university cluster" (the former state colleges as well as Green Bay and Parkside, which were originally administered by the University of Wisconsin at Madison.) The rates are based on the composite budgets for the two clusters (not individual campuses) as adjusted by "cost" ratios determined in the previous year. Central administration for the system is included as well as a facilities depreciation factor based on a 50 year useful life of facilities. In the case of Madison and Milwaukee, a "teaching assistant tuition remission" cost is also included. The procedures are clearly set forth in manuals available for executive and legislative review.

The Wisconsin approach is noteworthy in that it is the only tuition relationship system based on an apportionment of costs. In other words,

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*The term "academic fee" applies to resident students while the term "tuition" applies to nonresident students.

supporting costs such as administration are distributed between instruction and research. The system is based on a projected fall term enrollment and ratios developed from previous fall faculty effort analysis. Summer and extension costs are excluded. The approach therefore derives student tuitions which are related only to instructional and instructional support costs.

The legislative staff interviewed appeared to be comfortable with the system. Staff of the Joint Finance Committee have reviewed the procedures in detail and expressed no concerns with the calculations. The members of the committee appear to rely on the staff to understand the details of the system and to cost out proposed budget alternatives in terms of student fee impact. The possible concern of disproportionate reductions to a program which supports both organized research and instruction without recognizing that a portion of the program is not included in the instructional cost base has apparently not surfaced.

During 1975, the Governor proposed percentage increases for graduate and medical students which were partially implemented. The Regents' proposal for a fifty percent undergraduate resident fee reduction (reducing the 25 percent to 12.5 percent) was not entertained by either the Governor or the legislature.

The 25 percent factor is not referenced in the statutes except in the case of academic programs offered in three of the area vocational schools. These schools are financed in part from property taxes so the legislature felt it necessary to reference the rate in law. The 25 percent is, effective in 1975, also applied to adult general vocational (non-degree or certificate) programs while a 7 percent factor is applied to associate

degree programs. All of these factors are applied to statewide average costs in the vocational system.

It was clear, in reviewing the system with both the university and legislative staff, that there is no philosophical basis for the 25 percent share to be borne by students. No analysis of relative benefits to students or the state was attempted. The only adjustments have been in response to revenue requirements and the original amounts related to historical practice and to comparisons with other "Big 10" states.

Observations Concerning the Wisconsin System

-- The depreciation is based on the original cost of the instructional and academic support facilities.
-- All "unrestricted" student service costs are included in the cost base.
-- Hospital and auxiliary enterprise expenses are discounted 50 percent in the allocation of administration.
-- Hospital costs are not included in medicine instruction cost.
-- No differentials based on instructional discipline (other than medicine) exist.
-- An upper division differential was mandated by the legislature for 1974-75 but the mandate was not continued. The most telling argument against the differential was the financial aid policy which directs aid toward the first two years of school.
-- The majority of lab and course fees have been or are being eliminated under the student share concept, both in the university system and the area vocational schools. The guidelines are similar to those in the Council's draft policy recommendation.

APPENDIX C

RESULTS OF EXTENDED SURVEY OF TUITION POLICIES IN THE STATES OF CALIFORNIA, ILLINOIS, INDIANA, MICHIGAN AND MINNESOTA

RESULTS OF EXTENDED SURVEY OF
TUITION POLICIES IN THE STATE OF
CALIFORNIA, ILLINOIS, INDIANA, MICHIGAN AND MINNESOTA

The summaries that follow are based on data received from the individual states, phone interviews and research recently completed by the State of Illinois.

Since California and Michigan are also "pace-setter" states for the community college system, a rather detailed description of practices in those states has also been included.

CALIFORNIA

Resident Tuition Policy

The Board of Regents of the University of California does not charge tuition to resident students. However, there is a $300 University Registration Fee and $300 Educational Fee per year for undergraduates which is used to support university operations. At the graduate level, students pay the same University Registration Fee, but pay an Education Fee of $360 per year. Since both tuition charges in other states and the fees which the Board of Regents of the University of California levies on students are used to support university operations, both charges appear to be comparable. University of California officials report that fees are increased from time to time due to inflation, the need to maintain program quality, and to compare with other institutions of similar size and programmatic scope. Fees currently in effect for undergraduate and graduate students at the University of California campuses are as follows: Undergraduate, $600; and Graduate, $660.

Nonresident Tuition Policy:

The rules and regulations governing the Board of Regents of the University of California state that the amount of the nonresident tuition fee shall be fixed by the President with the concurrence of the Board of Regents. Nonresident students currently pay approximately three times the amount that resident students pay. Nonresident tuition rates currently in effect at the University of California are as follows: Undergraduate, $2,100; Graduate, $2,160; and Law, $3,240.

Community Colleges:

California community colleges charge no tuition to in-district residents. Many colleges charge nominal student activities fees which vary among districts. In California, the state pays a minimum basic aid charge of $125 per student regardless of what district he attends. Regarding out-of-district students, their county of residence is billed by their county of attendance for tuition charges above the state basic aid. These charges vary with an average of $350. In an attempt to equalize enrollments, some students are denied this payment by their county of residence. When this is the case, the student would then be required to pay the out-of-district tuition and fees. Nonresident tuition varies but often approximates total instructional costs.

ILLINOIS

The current undergraduate resident tuition rates and their percentage of total 1972-73 instructional costs for the four-year institutions were as follows:

	Tuition Rate	Percent of Instructional Cost
Board of Governors	$420	27.3
Board of Regents	$404	25.9
Southern Illinois University	$429	25.8
University of Illinois	$496	31.2

It should be noted that the tuition rates have not changed since 1972-73; whereas, there have been considerable increases in the instructional costs. The current percentages are therefore lower than those listed above.

The State of Illinois Board of Higher Education has recommended that resident undergraduate tuition be set at 33.3 percent of the instructional costs as determined in Illinois' annual Unit Cost Study.

Tuition policies (resident and nonresident) in California and Indiana universities are summarized from a document by the State of Illinois Board of Higher Education entitled: "Master Plan -- Phase IV Tuition and Other Student Costs: A Supporting Document". California community college information is from a telephone inquiry to the State of California.

INDIANA

Resident Tuition Policy:

The University of Indiana and other systems have no set tuition policy. Rates are established at the direction of each governing board with little interference from the legislature. Current tuition rates at various Indiana institutions are as follows:

	Undergraduate	Graduate
University of Indiana	722	744
Indiana State University	720	576
Ball State University	630	678

Nonresident Tuition Policy:

The University of Indiana and governing boards of other systems have no set tuition policy regarding nonresident students. Rates are established at the direction of each governing board at a level approximately

twice the charge for resident students. Current tuition rates for non-resident undergraduate students at various Indiana institutions are as follows:

University of Indiana	$1,560
Purdue University	$1,600
Ball State University	$1,260

MICHIGAN

Baccalaureate Institutions

In May, 1975, the State Board of Education in Michigan completed a detailed analysis of the financing of public baccalaureate institutions for the years 1965-1974. Their report, entitled "Financing of Public Baccalaureate Institutions in Michigan: A State Report Analyzing Trends from 1965-1974" contained the following finding:

> Extremely significant is the fact that over the ten year period 1965-1974 student tuition and fees as a source of institutional revenue has increased significantly -- from a low of 16.9% in 1965-1966 to a high of 22% in 1973-1974 statewide.

The accompanying table provides the percentages for each of the baccalaureate institutions in Michigan by year.

Michigan Community Colleges

In 1975-76 students will be expected to "provide" 24 percent of the revenue needed for the 1975-76 fiscal year. In-district tuition has been set at $341. The community college tuition rates are set by the legislature, and up until this year the student tuition was expected to account for 33.3 percent of the total educational costs. The tuition charges at the community colleges in Michigan have been reduced to reflect percentage patterns similar to those found in the four-year institutions. The resident in-district charge of $341 is approximately 22 percent of an estimated cost

BACCALAUREATE INSTITUTIONS STUDENT TUITION AND FEES AS A PERCENTAGE OF TOTAL EDUCATION AND GENERAL REVENUES

1965-74 (%)

	1965-1966	1966-1967	1967-1968	1968-1969	1969-1970	1970-1971	1971-1972	1972-1973	1973-1974
CENTRAL MICHIGAN UNIV	30.8	25.2	34.3	34.1	32.6	33.4	33.4	32.1	32.0
EASTERN MICH. UNIVERSITY	24.5	29.3	31.7	33.7	33.0	31.3	33.1	31.3	28.3
FERRIS STATE COLLEGE	26.8	25.3	25.3	24.0	21.5	22.7	26.8	23.9	22.1
GRAND VALLEY STATE COLL	14.9	14.4	23.9	25.3	24.5	28.2	26.3	27.1	26.1
LAKE SUPERIOR STATE COLL	25.5	19.4	25.8	27.3	26.7	21.0	22.4	22.1	20.7
MICHIGAN STATE UNIVERSITY	16.8	17.2	19.7	20.6	22.1	21.1	21.3	20.3	20.3
MICHIGAN TECH UNIVERSITY	13.4	15.6	19.0	22.0	22.5	25.4	24.1	22.4	20.4
NORTHERN MICHIGAN UNIV	35.7	20.7	24.7	24.8	29.9	28.6	25.9	26.4	23.1
OAKLAND STATE UNIVERSITY	16.6	17.3	23.0	27.9	28.7	29.6	22.7	22.3	24.1
SAGINAW VALLEY STATE COLL	NA	0.9	11.6	19.0	19.6	21.4	20.6	21.6	21.0
UNIV OF MICH - ANN ARBOR	12.3	11.5	14.8	15.7	15.4	17.2	18.7	17.4	20.1
UNIV OF MICH -DEARBORN	----	----	----	15.4	17.7	18.5	21.9	21.9	24.8
UNIV OF MICH - FLINT	----	----	----	26.8	27.1	30.2	27.7	24.9	21.7
WAYNE STATE UNIVERSITY	18.4	16.1	20.0	20.1	23.7	24.2	23.3	22.9	20.6
WESTERN MICHIGAN UNIV	27.4	22.5	29.0	31.6	32.7	30.0	31.7	27.4	26.3
TOTAL	16.9	16.1	19.7	20.9	21.9	22.5	23.0	21.8	22.0

SOURCE: Financing of Public Baccalaureate Institutions in Michigan: A State Report Analyzing Trends from 1965-1974.

per student. The newly adopted tuition schedule includes a rate of $511.50 for resident out-of-district students which is expected to raise the revenue to the 24 percent objective.

MINNESOTA

The universities, state colleges and community colleges in Minnesota have no set tuition policy for either resident or nonresident students. However, historical revenues from tuition income have approximated 25 percent of the total dollars needed in each of the systems according to the Minnesota Commission on Higher Education.

The Minnesota Commission is currently recommending that tuition charges equal 30 percent of the estimated cost of instruction for the current fiscal year.

APPENDIX D

CALCULATION OF CAPITAL COST PER STUDENT

CALCULATION OF CAPITAL COST PER STUDENT

The method used to calculate the estimated capital cost per FTE student was as follows:

Calculation

(1) Exclude:

  (A) Auxiliary facilities (e.g., dormitories, and other student housing, dining halls, student unions, book stores, etc.)

  (B) Facilities wholly devoted to intercollegiate athletics.

  (C) Facilities wholly devoted to research or public services purposes.

(2) Determine the original cost of construction, remodeling, renovation and additions of all facilities not excluded in (1) above using the same data as used in the building maintenance portion of the plant operation and maintenance formula.

(3) Multiply the total original cost by .02 to equal an annual cost assuming a fifty year life.

(4) Divide the result of step 3 by the three term average annual enrollment to equal the capital depreciation cost per student.

Because the method of calculating student capital costs required judgements about excluding certain facilities, the four-year institutions and community college system were asked to calculate a capital cost per FTE student. Each responded to the request in a timely manner and provided the following data.

Institution	Original Cost Related To Instruction	Annual Cost (50 years)	1974-75 FTE AA Enrollment	Cost Per FTE Student
U of W	$142,512,893	$2,850,257	30,618	$ 93.09
WSU	98,406,566	1,968,131	15,817	124.43
TESC	30,759,271	415,185	2,279	182.17
CWSC	28,811,017	576,220	6,173	93.33
WWSC	36,046,439	720,928	8,493	84.88
EWSC	28,907,686	578,154	6,694	86.37
CC System	165,487,000	3,309,740	75,967*	43.56

*1975-76 discounted enrollment projected by the Office of Program Planning and Fiscal Management.

Several concerns were raised by the institutions and community college systen about calculating capital costs per student. A summary of those concerns follows:

(A) All instructional buildings do not have a useful life of 50 years (e.g., field service facilities at WSU and relocatable facilities of the community college system).

(B) Original cost of buildings does not reflect current capital costs.

(C) Accurate exclusion of research and public service space would require a highly detailed inventory system which need frequest updating.

(D) Definition of capital cost would need to be very specific. For example, should capital cost include equipment?

APPENDIX E

DISCUSSION OF ALTERNATIVES FOR THE BASE PERIOD TO BE USED TO CALCULATE EDUCATIONAL COSTS

DISCUSSION OF ALTERNATIVES FOR THE BASE PERIOD TO BE USED TO CALCULATE EDUCATIONAL COSTS

Tuition and fees must be established before the start of fall term, preferably by May for preregistration and financial aid "packaging". For budget purposes, the revenue to be generated by tuition and fees should be known by the Governor for his budget and by the legislature for their budget review. This means that either the rates must be established by November of the previous year or that relationships to budgeted programs must be established for use in the budget process.

There are several alternatives available that would accomplish these objectives. In order to ensure a thorough understanding of the alternatives, reference to the following chart will be helpful.

A	B	C	D	E
Year 2 -- Previous Biennium (1974-75)	Year 1 -- Current Biennium (1975-76)	Year 2 -- Current Biennium (1976-77)	Year 1 -- Ensuing Biennium (1977-78)	Year 2 -- Ensuing Biennium (1978-79)
		3 2	1	

1 = August of Year D (August, 1977)
2 = May of Year C (May, 1977)
3 = November of Year C (November, 1976)

Alternative 1

Base the tuition and fees for the next year (D) or biennium (D + E) on the most recent actual cost data (Year A). This would allow use of actual data and ratios developed from the Council's unit expenditure study which is currently conducted once each two years. Existing data systems do not support routine production of the data by November of the following

year (completion of the 1974-75 study is scheduled for April, 1976). The disadvantage, of course, is the extensive time lag between year A and years D and E.

Alternative 2

Base the rates for years D or D and E on estimates for the current biennium (B and C) based on the most recent cost analysis and improve the institutional data bases to allow compatible cost data to be developed and reported for year B prior to November of year C.

By the fall of year C it is possible to estimate the enrollment and expenditure pattern for that year. The actual enrollment and expenditure data for year B would also be known. Until such time as data systems are improved, the cost study for year A could be used to provide ratios and cost pattern data for estimating purposes. Current or prior year data are used as the cost base by three of the six states (Colorado, Florida and New Hampshire). This approach also has the advantage (or disadvantage depending on ones point of view) of having rates known in advance which would not be affected by budget decisions in the next legislative session.

Alternative 3

Determine the ratio that each budgeted program contributes to "instructional cost" through the use of the most recent cost study, multiply that ratio by the percentage of revenue to be produced by students and use the derived percentages to relate tuition and fee income for years D and E to budgeted expenditures for those years. Actual rates would be set after the budget was adopted although estimates would be available by May of year C.

This is an extremely complex approach which uses the most recent cost study as the basis for ratios and factors and applies those factors to the various programs, e.g., Plant Operation and Maintenance. The portion of general operating revenue to be produced by fees could be computed based on past experience with proportional tuition and fee rates or (as in the case of Kansas) by simply setting a percentage revenue objective. This portion (let us assume 25 percent) would be applied to the program's contribution to instruction (assume that 80 percent of physical plant expenses support instruction) to derive an income percentage (.25 x .8 = .20) which would be used in budgeting.

Although this method would be cost study based and current, it is likely that it would be confusing. It also requires some central fee setting authority (as in Kansas and Nebraska where variations of this approach are used) to set rates for the universities and the colleges and determine the differentials for graduate and professional students. The timing of the actual rate calculations would also be a problem.

Alternative 4

Use cost study information only to determine cost ratios for the various fee categories. Apply either a revenue or rate percentage to a predetermined portion of the budget (e.g., education and general expenditures less research) and use the approach to compute rates or income for years D and E based on the budget.

Although much simpler than Alternative 3, it is likely that the approach will be imprecise among institutions and can lead to claims of inequity. The timing problems are similar to Alternative 3 although the calculations would be more simple. An approach similar to this is used

by Oregon and rates for year D (for example) are usually set by their central governing board in July or August of that year.

A variety of other alternatives, usually combinations of aspects of the above approaches are possible. The key questions are: Should the rates reflect current budget decisions or the previous spending level? To what extent should cost analysis be used? If rates are to be standard among types of institutions and a system based on future budgets is used, who should set the rates? Although the staff is open to (and welcomes) other approaches, we currently feel that Alternative 2, when the entire current biennium is used, has the most merit.